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Chairman: Mr. Rosenthal ..... (Guatemala)
Chairman of the Advisory Committee on Administrative And Budgetary Questions: Mr. Mselle

Contents

Agenda item 119: Improving the financial situation of the United Nations

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Purchasing reform (continued)

Outsourcing practices (continued)

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The meeting was called to order at 10.05 a.m.

Agenda item 119: Improving the financial situation of the United Nations

1. **Mr. Niwa** (Assistant Secretary-General for Central Support Services), speaking on behalf of the Under-Secretary-General for Management and reporting on the financial situation of the United Nations with the aid of charts, said that the situation in 2000 was very different from 1999. It had to be asked whether the United Nations had the necessary financial foundation for carrying out the initiatives being considered by the General Assembly at the present session, i.e. the expansion of peacekeeping operations, including Headquarters backstopping support, better protection for United Nations personnel, additional resource commitments to the international criminal tribunals, and a capital master plan for refurbishing the Headquarters complex. The charts had been compiled on the basis of the data available at 30 September.

2. The first key indicator of the state of the Organization's finances was the ratio of paid contributions to assessed contributions. In 2000 the level of assessment — $3.3 billion — was the highest in the past five years, and it might rise to $3.5 billion in 2001. Only the regular budget assessment had remained constant, without any growth over the period 1994-2000. But there might be an increase in 2001. In contrast, tribunal assessments had increased each year since the establishment of the tribunals and they were projected to rise further in 2001 to a level close to $200 million. Assessments for the peacekeeping budget were the highest but also the most erratic. Following peak years in 1994 and 1995 ($3.2 and $3.4 billion respectively) they fell sharply in 1996 and then gradually declined to about $900 million in 1998 and 1999. However, the situation was projected to change in 2000 and 2001, with significant new resource requirements for discharging the new responsibilities given to the Organization to maintain peace and to rebuild States. The pattern of peacekeeping assessments had been particularly erratic in 2000. The level had reached a maximum of almost $700 million in January and again in July, and a constant flow of assessment notifications had been sent to Member States throughout the year.

3. Unfortunately, the payments received were far from measuring up to the assessed amounts. At 30 September 2000 unpaid assessments (regular budget, peacekeeping budget and tribunals budget taken together) totalled $3,094 million (23 per cent higher than a year earlier), including $2.5 billion for peacekeeping operations. Unpaid assessments for the tribunals were also up — by $19 million. However, the amount of unpaid contributions to the regular budget was down by $111 million.

4. Another bad sign was that the amount of unpaid assessments on 30 September ($3,094 million) almost equalled total assessments for the year ($3,376 million), which meant that the Organization was almost a year behind in collecting assessed contributions. That was a dangerous situation for an Organization which had very limited reserves and no capital. The major contributor owed 61 per cent of the total amount due by September. Fourteen other States accounted for 25 per cent of the total. The amount owed by all other Member States represented 14 per cent.

5. At 30 September unpaid regular budget assessments totalled $533 million, 81 per cent of which was owed by the United States alone. However, since the United States budget year began on 1 October its arrears could be expected to decrease in the last three months of the year. Of the next 14 principal contributors, Brazil and Argentina, whose arrears under the regular budget represented 12 per cent of the total, would also be making additional payments by 31 December 2000. Argentina had in fact just paid $1.5 million. Of the 173 other Member States, 53 owed seven per cent of the uncollected regular budget total. Those percentages were not significantly different from a year ago, except that the number of Member States in arrears had been reduced from 78 to 53 and that the sums owed by them now represented seven per cent of the total as against 10 per cent in 1999. In fact, the number of States paying their contributions in full by the end of the year in which they were due had risen constantly in recent years. That was real progress, and the Secretary-General was grateful to those States.

6. In the case of peacekeeping operations, 12 of the 14 ongoing missions were funded by contributions to their individual budgets and the other two from the regular budget. Total peacekeeping assessments, estimated to reach $2.1 billion for 2000, should rise even higher in 2001. However, it was difficult to make forecasts in that area, for the unpredictable variables were myriad. The increase in peacekeeping contributions in 2000 was due to the establishment of

the four most recent missions — UNAMSIL, UNTAET, UNMIK and MONUC. With the exclusion of those four missions (a total of $1.7 billion) assessment levels for 2000 were considerably lower than for 1999 (barely $0.4 billion). At the end of September, unpaid peacekeeping assessments had reached a record level of $2.5 billion. There was real concern about the imbalance between the amount of assessments unpaid and the current levels of assessment. It was also worrying that the United States alone owed 58 per cent of the total.

7. The Organization had received a number of significant contributions during the first half of October, including $200 million from the United States, $61 million from Italy, and $17 million from France. The United States had also indicated that an additional $100 million could be expected shortly. Moreover, a significant number of the contributions due had been assessed only recently, and the Organization expected payments shortly from several prompt-paying Member States.

8. There were currently two international criminal tribunals, one for the former Yugoslavia and the other for Rwanda. The Security Council was also reviewing the possibility of creating a special tribunal for Sierra Leone but, since no decision had yet been taken, the question of its financing had not been examined. Since the creation of the first two tribunals, in 1994 and 1995, the relevant assessments had increased fourfold to a level of $166 million. The budget for the Tribunal for the former Yugoslavia now stood at $88 million and the budget for the Rwanda Tribunal at $79 million. The proposals for 2001 showed continued rapid growth. The staff of the two tribunals had also risen considerably, with more than 1,600 persons employed in 2000 and an even higher number in 2001. But the payment of assessed contributions had not kept pace with that growth. Unpaid assessments now totalled $54 million. The figure had been $20 million in 1997. At 30 September 122 Member States had been in arrears. Three of them — the United States, the Russian Federation and France -each owed $12 million, accounting for the largest part of the arrears. France had announced that it would pay its contribution by the end of 2000. The Russian Federation had made no payment for the current year or for any prior year. And the total arrears of the United States continued to grow because it did not pay its full assessment.

9. The cash position was a second key indicator of the financial situation of the United Nations. In the case of the regular budget, the year had started with a positive balance ($111 million) which had been maintained until June. But the cash position turned negative in July and continued so until September, when two major payments had been received: $164 million from Japan and $32 million from the United States. At 30 September the balance had been just above zero. However, the balance would again be negative in October and November. The situation at year's end would depend largely on the decisions taken by the United States Congress concerning the payment of that country's arrears. Three scenarios seemed possible. In the first scenario the United States would pay the remaining balance of its assessed contributions for 2000, i.e. $267 million, by the end of the year. That was what the United States had done in 1999. In the second scenario the United States would withhold up to $100 million pending its determination that the United Nations had taken no action in 2000 to exceed its regular budget level. Accordingly, the amount paid would be only $167 million. In the third scenario, which seemed unlikely, the United States would make no payment before the end of the year.

10. In the first scenario, the regular budget would be in a positive position of $48 million. That figure was lower than at 31 December 1999 but still on the plus side. In the second scenario the cash balance would be in a negative position of $52 million, forcing a return to cross-borrowing from peacekeeping cash. The third scenario was an extreme situation which would lead to a very large negative balance. Given the uncertainty as to action by the United States Congress, that scenario could not be totally excluded. The situation had currently improved thanks to the efforts of Member States, but the amount of year-end cash depended on a single State.

11. In the case of peacekeeping operations, the cash position depended on the timing and extent of the assessments. Peaks in the peacekeeping cash flow occurred in spring and autumn, usually lagging several months behind the issuance of the assessments. On average, peacekeeping operations had a cash balance of about $900 million to $1 billion throughout the year.

12. But that amount was deceptively large. In fact, it included the cash balances of active missions, inactive missions, and the Peacekeeping Reserve Fund. The amount of cash in active mission accounts, currently

amounting to $419 million for 12 missions, was a very low. On the basis of actual expenditure over recent months, the cash requirements could be estimated at $120 million a month and rising. Thus the present cash balance represented only three months of cash on hand. In addition, some missions had better cash positions than others. For example, UNMIK and UNTAET had one third of active mission cash, while UNAMSIL did not have enough cash to procure the goods and services which it needed and to reimburse troop and equipment costs. Since cross-borrowing between active missions was not permitted, reimbursements had to be deferred. The cash available for inactive missions, i.e. $374 million, amounted to frozen assets. Most of the money was earmarked for settlement of contingent-owned equipment claims from troop-contributing countries once those claims had been negotiated, finalized and certified.

13. The cash in the Peacekeeping Reserve Fund totalled $180 million. The Fund was a cash-flow mechanism to allow for a rapid response by the United Nations to the needs of new or expanded peacekeeping operations. The amounts in question were based on the commitment authority levels granted by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) or by the General Assembly. The Fund was replenished once the initial assessments had been approved and their collection had begun. Follow-on financing for peacekeeping operations was provided by assessed contributions and voluntary contributions. The financing of the United Nations Interim Administration Mission in Kosovo (UNMIK) illustrated the process well. At the time of the establishment of UNMIK in 1999 the General Assembly had initially approved commitment authority in the order of $125 million. Pending receipt of assessed contributions the start-up costs had been advanced from the Reserve Fund. Assessments to date totalled $626 million, but as of 30 September receipts totalled only $419 million or 67 per cent of the amount assessed. While low, that percentage was better than for many other missions.

14. Voluntary contributions covered a large part of the follow-on financing of peacekeeping operations. Most of the pledges made by donors had been fulfilled for UNMIK: out of the DM 275 million pledged, DM 228 million had been received. The unpaid amount of DM 46 million would most likely be contributed by the end of 2000.

15. A third key indicator of the Organization's financial situation was its debt to Member States. The Secretary-General's policy had not changed in that connection: to reimburse Member States before the end of 2000 for obligations incurred currently for troops and equipment and to repay the older debts once the arrears of contributions had been collected. However, it was not certain that the Organization would be able to continue that policy. Clearly, the non-payment of debt arrears had been a source of precautionary financing for peacekeeping as a whole. As the level of resources required to carry out the missions increased, the consequent level of payments for civilian support and for troops and equipment also increased, and unfortunately the amounts of unpaid assessments were rising as well. The Organization was thus adding to its debt level as the year went on.

16. In concrete terms, the situation was the following: at the beginning of 2000 the debt to Member States for troops and equipment totalled $800 million. Over the course of the year the Organization had been able to reimburse $91 million of the obligations incurred in 1999, thus completing the payment of those debts. It had also been able to make further payments thanks to the receipt in 1999 of a total $71 million, representing amounts owed by the United States and the Russian Federation. However, the obligations incurred in 2000 were higher than in the past: in the order of $365 million. Partial payments ($84 million to date) for troops and equipment had been made in 2000. End-October progress payments totalling $86 million should also be made for active missions, and further payments were to be made by the end of 2000. But those payments could be made only if the current year's assessed contributions were collected promptly. In fact, it might be necessary to use for that purpose part of the arrears — if they were received. In order to meet the Organization's obligations for 2000 in full, a further $97 million would need to be paid; if that could be accomplished, the year-end debt would total $736 million.

17. The Secretary-General would make every effort to prevent an increase in the Organization's debt to Member States but he could not give any unequivocal assurance in the matter. If his efforts were successful, the debt could drop to its lowest level in the last six years. The country owed the biggest reimbursement was India ($80 million), followed by the United States, the United Kingdom, the Netherlands and Jordan.

18. The situation just described required some comment. The debt owed to Member States for troops and equipment remained high and resistant to reduction. The first priority was to contain the present debt level by settling in full the troops and equipment obligations incurred in 2000. The second priority was to reduce the current debt level by using amounts collected in respect of arrears of assessed contributions. But above all the Organization must retain sufficient cash liquidity.

19. Overall cash liquidity was affected by all three of the indicators: assessments, cash availability, and debt to Member States. In view of the uncertainty as to the amount which the United States would remit to the United Nations by the end of 2000, the forecasts of overall cash liquidity (regular budget, peacekeeping operations, and international criminal tribunals) had been based on the three scenarios outlined earlier.

20. The first scenario (the United States paid its regular budget contributions in full) would produce a total cash level of $1,034 million, of which $986 million was for peacekeeping and tribunals and $48 million for the regular budget. The aggregate amount would be below the 1999 level, but for two years in succession the Organization would have avoided cross-borrowing from peacekeeping cash to support the regular budget. The second scenario (retention of $100 million by the United States) produced a combined cash level of $934 million: $986 million for peacekeeping and the tribunals, and a regular budget cash deficit of $52 million; the Organization would then be forced to borrow from peacekeeping accounts. The third and highly unlikely scenario (no payment by the United States) would result in a combined cash level of $766 million. Peacekeeping operations and tribunals would receive $986 million, the regular budget would show a cash deficit of $220 million, and combined cash would drop to its 1998 level.

21. The foregoing presentation reflected the Organization's aim to manage better the funds made available to it. But the value of the United Nations was not measured only in terms of money; it also depended on the contribution which the United Nations could make to peace and development.

22. **Mr. Apata** (Nigeria), speaking on behalf of the Group of 77 and China, said that they shared the concern expressed by the Ministers of Foreign Affairs of the Group of 77 at their latest annual meeting at the chronic financial difficulties of the United Nations, which were due primarily to the failure of some Member States, in particular the major contributor, to pay their assessed contributions. The Charter required Member States to pay their contributions in full, on time and without conditions, it being understood that exceptions could be made for countries experiencing genuine economic difficulties. The Group called for an end to the practice of late reimbursement of countries contributing troops and equipment to peacekeeping operations, for it increased the financial burden on developing countries. The Secretary-General should submit to the General Assembly a formal report on the financial situation of the Organization.

23. **Ms. Levitte** (France), speaking on behalf of the European Union, the associated countries of Eastern and Central Europe (Bulgaria, Czech Republic, Hungary, Lithuania, Poland, Romania, Slovakia and Slovenia), the other associated countries (Cyprus and Malta) and Liechtenstein, a country member of the European Free Trade Area and the European Economic Space, noted that the sums owed to the Organization currently totalled nearly $3 billion, i.e. the equivalent of about one year's operating costs. That situation might compel the Organization to have recourse once again to practices of which the European Union disapproved: borrowing from peacekeeping operations to finance the regular budget and late reimbursement of troop-contributing countries. The Member States must fulfil their obligations under the Charter.

24. The financial crisis placed a burden on the troop-contributing countries, on the good payers, and on the Organization itself, whereas it benefited the States which paid late, in particular the United States, whose arrears had accounted for more than 65 per cent of the amount owed to the United Nations at the end of 1999. The Committee must ask the question of how to achieve the objectives of the Millennium Summit, especially combating poverty and maintaining peace, when a prosperous country, a permanent member of the Security Council, shirked its responsibilities; and how it was possible, in the discussions on the scales of contributions, to appeal to the sense of responsibility of all countries when the principal contributor set such an example. In 1996 the European Union had proposed the adoption of several series of measures designed inter alia to persuade Member States to pay their contributions on time.

25. When awarding contracts and top-level posts the United Nations should take into consideration the way in which Member States fulfilled their obligations. Sixteen Member States were subject to Article 19 of the Charter at present but at the beginning of the year there had been 52 such States, and many others paid just the absolute minimum to escape that fate. Such conduct played a not inconsiderable part in the financial crisis. And the Organization was far from applying a strict interpretation of Article 19, for a Member State could have cumulative arrears of three years' contributions without losing the right to vote. While approving of the exception provided for States whose position so warranted, the European Union would like the way in which Article 19 was applied to be reviewed.

26. **Mr. Kolby** (Norway) said that the gap between the Organization's resources and the demands made on it was widening. Total arrears of contributions to the regular budget and to peacekeeping operations exceeded the total amount of the regular budget. In view of the importance of peacekeeping, it was worrying to note that the United Nations still owed $1 billion to troop-contributing countries. It was imperative for Member States to pay their assessed contributions in full and on time and to clear their arrears. In that connection Norway supported the introduction of incentives and disincentives and a tightening of the application of Article 19. It was also in favour of a revision of the scales of contributions both to the regular budget and to the budget for peacekeeping operations.

27. The policy of zero nominal growth for the regular budget should be abandoned. The Organization's budget was smaller than in 1994-1995, while at the same time the world's real GDP had increased by some 20 per cent. It was increasingly dependent on voluntary contributions from a group of countries which remained disappointingly small. Norway had just announced a further increase in its contributions to the United Nations development system. It was time for activities falling clearly within the Organization's core mandate to be funded through the regular budget.

28. **Mr. Dos Santos** (Mozambique) said that his delegation endorsed the statement made by Nigeria. It attached very great importance to the financial situation of the United Nations, not only because it was convinced of the advantages of multilateral cooperation but also as a beneficiary of United Nations activities. The leaders gathered at the Millennium Summit had reaffirmed their will to give the United Nations the means to carry out its mandate. It was very worrying to note that the arrears in the payment of contributions, on the part of the principal contributor in particular, obliged the Organization to borrow from the credits allocated to peacekeeping operations, with all the associated consequences for the troop-contributing developing countries. Mozambique re-emphasized that all Member States were required to pay their assessed contributions in accordance with the scales established by the General Assembly.

29. **Ms. Aragon** (Philippines), speaking on behalf of the 10 States members of the Association of Southeast Asian Nations (ASEAN), said that they aligned themselves with the statement made by Nigeria. ASEAN believed that the Organization's financial crisis was due principally to the failure of some Member States, in particular the main contributor, to pay their assessed contributions. While in favour of a review of the scales, ASEAN stressed that the scales had not caused the crisis. The States members of ASEAN paid their contributions in full despite their current economic difficulties.

30. The risk remained that the Organization would have to resort to borrowing from the peacekeeping budget, a practice detrimental to troop-contributing countries and constituting an added financial burden for the developing countries. That situation needed to be redressed as a matter of priority.

31. **Mr. Mohammad Kamal** (Malaysia) said that his delegation associated itself with the statement made by the representative of Philippines on behalf of ASEAN and joined with Nigeria in requesting the Secretary-General to submit to the General Assembly a report on the Organization's financial situation. His delegation was aware that some countries were facing real difficulties and it urged the more capable States to honour their obligations as Malaysia did, for despite its economic difficulties it had paid its assessed contribution in full and on time. The 1999 scenario might well be replayed, with a single contributor paying a large sum in settlement of a portion of its arrears. The scales were a mechanism for the equitable apportionment of the Organization's expenses and had nothing to do with the financial crisis, the responsibility for which rested with the Member States. The situation was exacerbated when a country imposed conditions on the payment of its arrears.

32. The borrowing of funds from the peacekeeping budget had resulted in serious harm to the troop-contributing developing countries, and the issue must be addressed urgently. His delegation thanked the United Nations for making a fourth progress payment in respect of Malaysia's contribution to the United Nations operations in Somalia and hoped that the balance could be settled quickly. It looked forward to the outcome of the consideration by the Committee on Contributions of measures to encourage Member States to honour their obligations; Malaysia would support a system of incentives and disincentives.

33. **Mr. Hays** (United States of America) said that it was clear from the remarks made by the various speakers that everyone was pursuing the same goal: to provide the United Nations with a solid financial foundation so that it would be able to carry out the programme established at the Millennium Summit. The attainment of that goal was everyone's business, and the need was to arouse in Member States, some of which were certainly experiencing financial difficulties, the political will to discharge their financial obligations.

34. The United States was in favour of the principle of payment in full, on time and without conditions, but the reality was that the payment of its arrears was subject to certain conditions. The United States nevertheless intended to settle its regular budget arrears in full and to increase by 70 per cent in 2001 the funds made available to peacekeeping operations, a decision which had been facilitated by the rapprochement between the United States and the United Nations. His delegation hoped to work with the other delegations to find a realistic and fair solution to the problem of the conditions placed on the payment of arrears.

35. Like Norway, the United States would support a review of the policy of zero nominal growth provided that the United Nations redefined its policies and objectives. However, in the case of the scale of assessments it had already been feared in 1946 that the concentration of responsibility for the funding of the Organization in the hands of a single Member State or of a small group of States might prove a source of instability, not to mention the fact that such a situation ran counter to the principle of the equality of the Member States. If all Member States united their efforts to adapt the scales, many States would pay their arrears and the Organization would be able in turn to honour its obligations to troop-contributing countries. The United States was the main contributor in terms of voluntary contributions and it had made a further very considerable increase in its payments under that heading, bringing them up to about $3 billion in 2000.

36. **Mr. Ho** (Singapore) said that the United Nations was a paradox: it could bring together at a summit 150 out of 189 world leaders, who between them controlled or managed a global economy of over $30 trillion; but it could not obtain from them the $1.25 billion needed for its regular finances. The problem was not financial but political: it was understandable that some of the world's poor countries might be unable to pay their dues, but it was hard to explain why the richest member of the international community was unable to pay what were tiny contributions or its arrears, and to do so in full, on time and without conditions.

37. One of the commonest excuses advanced was that the United Nations was a bloated bureaucracy which needed trimming. That excuse no longer stood up: since the 1980s Secretariat numbers had been reduced from more than 15,000 to the present level of 8,600. Zero real budget growth had been maintained between 1987 and 1995 and zero nominal growth since 1996 even at a time when mandated activities had expanded considerably. If workload was up and manpower down, that could only mean that the Organization's productivity had been increasing for 10 years. United Nations staff costs had accounted for roughly 55 per cent of the regular budget in the biennium 1998-1999, while for a comparable organization such as OECD the figure was 75 per cent. There was clearly no correlation between the reform of the United Nations and its financial crisis. Singapore fully supported the Secretary-General's reform proposals, without regard to the Organization's financial health.

38. The paradox manifested itself again at the very heart of the Organization: some countries, including the country with the largest assessed contribution, insisted on the United Nations continuing to adhere to the principle of zero nominal growth, but those same countries wanted the United Nations to do more rather than less in handling international crises. One classic example was provided by peacekeeping operations, a core function of the United Nations: at the Millennium Summit the leaders of the world, in particular the leaders of the Security Council, had endorsed the Brahimi report, but the implementation of that report would require the provision of additional resources for the Department of Peacekeeping Operations, the nerve

centre of all peacekeeping activities. How could that be done without waiving zero nominal growth? Where, from which activities, would the needed resources be taken? Again, those were political and not financial questions. At a time when the world economy was more vigorous than ever, when one country had a richer and more powerful economy than mankind had ever seen, the United Nations continued to lurch from one financial crisis to another. There was no explanation that would satisfy the most elementary logic.

39. **Ms. Sun Minquin** (China) said that her delegation associated itself fully with the statement made by Nigeria on behalf of the Group of 77 and China and congratulated the countries which met their financial obligations to the United Nations in full, especially those which did so despite internal difficulties; it protested against the pretexts put forward by some countries, in particular the one with the highest assessed contribution, which pleaded problems of their domestic legislation to justify a situation placing them at variance with the provisions of the Charter. The scale of contributions had no direct effect on the Organization's financial situation, even though consideration might possibly be given to adapting the scale to reflect countries' capacity to pay more accurately. But that certainly did not mean that countries could decide not to pay their assessed contributions in full, on time and without conditions or to accumulate arrears. The financial situation of the United Nations had had an impact on its activities, compelling it to defer or cancel some of them — something that China found worrying. The Organization could discharge its responsibilities only if its financial situation was solid, healthy and stable.

40. **Mr. Vaiko** (India) said that his delegation endorsed the statement made by Nigeria on behalf of the Group of 77 and China and stressed that the Committee was discussing the present agenda item at a time when the total arrears were in the order of $2.1 billion and when 19 countries, including India, were each owed more than $20 million. Some troop-contributing countries had not yet been reimbursed for operations dating back more than five years.

41. The implementation of the Secretary-General's proposals for restructuring the Secretariat through a new human resources management strategy and for carrying out the Brahimi report's recommendations, the master plan and the new information technology strategy, which warranted serious consideration by the Member States, seemed quite impossible when the budget was frozen, when more and more demands were made on the resources approved, and when the amounts owed in arrears nearly equalled the regular budget for the current biennium.

42. During the Committee's recent deliberations on the two scales officials from the Statistics Division had admitted that the Division had been unable, for lack of resources, to meet the requirements of Member States in full. The Committee would therefore have to make do with whatever inputs were available. The situation was no different in other committees, where developed countries insisted on the inclusion of the phrase "within existing resources" in resolutions affecting important social and economic activities. That was a pity. His delegation was convinced that by working together for the reform of the Organization in all its aspects, including the financial ones, the Member States would succeed in ensuring that it was responsive to the needs of the new century and the new millennium. Any solution adopted would require a commitment by all the Member States to pay their assessed contributions in full, on time and without conditions and to clear their arrears. In that connection the Indian delegation welcomed the statement just delivered by the United States and hoped that the promised payments would be made according to the envisaged schedule.

43. **Mr. Fujii** (Japan) and **Mr. Fox** (Australia), Mr. Fox speaking also on behalf of Canada and New Zealand, said that it was regrettable that the information on the Organization's financial situation given by the Assistant Secretary-General for Central Support Services had not been presented in a report published in advance, for that would have enabled delegations to study the information.

44. **Ms. Silot** (Cuba) said that her delegation associated itself fully with the statement made by Nigeria on behalf of the Group of 77 and China and endorsed the comments of the speakers who had just stated their wish to have prior cognizance of the information on all the agenda items, for there should not be any distinction between items in that respect.

45. It was worrying to note the increase in the total of arrears, in the debt to troop-contributing countries, and in unpaid contributions to the tribunals budget. None of the three scenarios for the cash-flow situation

gave grounds for optimism; even the most favourable prompted caution.

46. Like many other countries, Cuba saw the main cause of the financial crisis in the failure of the State with the highest assessed contributions to pay the amounts due. Other factors also had an impact on the situation: the principle of zero nominal growth made it difficult for the Organization to implement its mandated activities. It was all very well to formulate reform measures but that would not guarantee any improvement in the financial situation. Nor would the financial or cash-flow situations be guaranteed to improve even as a result of revision of the scales of contributions. And it was paradoxical to advocate an increase in the resources made available to the Department of Peacekeeping Operations while insisting on the requirement of zero nominal growth. The problems were thus much more numerous than the solutions, a situation which seemed to indicate the lack of a sense of responsibility towards the United Nations in some quarters. Cuba hoped that the Committee and the General Assembly would give the matter the consideration which it warranted, and that greater optimism would be in order in the future.

47. **Ms. Moglia** (Argentina) said that her delegation associated itself with the statement made by Nigeria and pointed out that Argentina had paid $2,606,000 on 30 September, so that the amount still owed was lower than the amount shown on the charts illustrating the statement made by the Assistant Secretary-General for Central Support Services.

48. **Mr. Bouheddou** (Algeria) said that his delegation endorsed the statement made by Nigeria on behalf of the Group of 77 and China. it was particularly worried about three aspects of the information communicated by the Assistant Secretary-General: the possibility of a negative balance in the regular budget and of recourse to cross-borrowing before the end of the year; the persistent debt to troop-contributing countries; and the persistence of unpaid contributions to peacekeeping operations. While it was a matter of satisfaction that 131 countries had discharged their financial obligations to the United Nations in full, it was none the less true that the 1995 crisis situation might resurface (when the countries with the highest assessed contributions had paid only 48 per cent of the amounts due). Algeria supported the principle that sums paid in respect of arrears should be used firstly to reimburse troop-contributing countries. It also joined with Cuba in requesting that reports on the financial situation should be circulated sufficiently in advance for delegations to have time to study them.

49. **Ms. Archini** (Italy) said that her delegation was astonished by the figures mentioned in the statement made by the Assistant Secretary-General for Central Support Services, for Italy, apart from some $3,000, was up to date in its contributions.

50. **Mr. Connor** (Under-Secretary-General for Management) said that the statement which he made in the Committee every year on the Organization's financial situation, when he gave the most recent figures, was always followed a few weeks later by the distribution of an official report, concerning which he was always ready to offer clarification after Member States had examined it. In reply to the questions put by the delegations of Argentina and Italy, he said that the disparities between their figures and the United Nations figures was probably due to the fact that his statement had been based on the situation as at 30 September 2000, whereas missions could have other information. He was willing to study the figures with the delegations. In reply to the Malaysian delegation, he said that for the past five years there had been only slight variations in the total amount due to Member States and that in any event there was an "irreducible" amount of $800 to $900 million.

Agenda item 116: Review of the efficiency of the administrative and financial functioning of the United Nations (*continued*)

Procurement reform (continued) (A/54/866; A/55/127 and A/55/458)

Outsourcing practices (continued) (A/55/301 and A/55/479)

51. **Mr. Lozinski** (Russian Federation) said that his delegation was glad that the procurement reform had produced tangible results and it joined with the Advisory Committee in commending the progress made with respect to transparency and streamlining and improvement of the geographical spread of the procurement system. Like the Advisory Committee (A/55/458, para. 2), the Russian Federation encouraged the Secretary-General to include in subsequent reports information on the initiatives taken and on areas where further improvements could be achieved. It hoped that the Secretariat would supply additional information on

that subject during the informal consultations on the item.

52. His delegation was astonished that the information contained in the report of the Secretary-General on measures taken to improve procurement practices in the field (A/54/866) was so brief, especially as the Board of Auditors and the Office of Internal Oversight Services had repeatedly pointed to some real problems posed by such activities; it hoped that in future such problems would be analyzed in greater detail in the Secretary-General's reports, which should also include concrete plans for correcting them.

53. **Mr. Demir** (Turkey) said that his delegation attached great importance to procurement reform. It endorsed the comments contained in the ACABQ report (A/55/458) and largely approved of the measures taken by the Secretariat, described by the Secretary-General in his report on procurement reform (A/55/127). However, it was hard to understand how the Secretary-General could assert in paragraph 10 that, where price was not the only determinant, the reading out of price information for requests for proposals caused delays in the procurement process. To the contrary, the reading out of prices at that stage was an essential means of ensuring transparency. The fact that other funds and programmes did not use the practice was no justification for following their example.

54. His delegation noted with pleasure that the Procurement Division had made considerable progress, as the Assistant Secretary-General for Central Support Services had stressed at the previous meeting. It was therefore time for the Division's example of transparency to be followed by the other funds and programmes. His delegation would seek further details on that question during the informal consultations.

55. **Mr. Dugan** (United States of America) said that his delegation welcomed the improvement in procurement practices. It acknowledged that the Secretariat had taken action to give developing countries and countries with economies in transition greater opportunities to win contracts. As far as revision of the Financial Regulations and Rules was concerned, the United States was in principle in favour of any measure to improve the efficiency and performance of United Nations procurement mechanisms. His delegation would like the Secretary-General to provide the Committee with further information so that it would be able to make the necessary recommendations to the General Assembly.

56. In view of the importance of evaluation for the proper functioning of the procurement system, the Secretariat should be asked to devise and introduce an arrangement for measuring the effectiveness and efficiency of procurement. Lastly, his delegation was convinced that there would be some useful lessons to be drawn and would like the Committee to recommend to the General Assembly that it should request the Secretary-General to revert to the question and submit a detailed and concrete report to the Assembly on the procurement problems encountered in peacekeeping operations.

57. **Mr. Herrera** (Mexico) said that the briefing meeting held in Mexico April 2000 by the Inter-Agency Procurement Services Office had been attended by representatives of private companies and of the procurement services of United Nations bodies and had proved a success. It had opened up the United Nations vendors roster to a greater number of Mexican enterprises. That kind of meeting ensured increased transparency in procurement activities and a better geographical distribution of vendors. Furthermore, the Procurement Division's home page on the Internet facilitated contacts with vendors and the dissemination of invitations to tender.

58. With respect to the report of the Secretary-General on procurement reform (A/55/127), his delegation welcomed the considerable progress already made and noted the need to establish a system for evaluating the efficiency of the procurement function. It endorsed the conclusions and recommendations contained in the ACABQ report (A/55/458), in particular with regard to the training activities which the Division's staff might undertake so that field operations could also benefit from the improvements made by the Division in its methods and in order to address some of the problems indicated by the Secretary-General in his report (A/54/866).

59. On the question of outsourcing practices his delegation echoed the request made by the Advisory Committee in its report (A/55/479) for more information about the scope of application of the criteria set out by the Secretary-General in document A/55/301.

60. **Mr. Vaiko** (India) said that his delegation welcomed the efforts that had been made, especially

with regard to the creation of a web site, to increase the transparency of procurement operations.

61. **Mr. Niwa** (Assistant Secretary-General for Central Support Services), responding to the comments of the Russian delegation concerning subsequent reports of the Secretary-General, said that in an effort to address all the issues raised by the Committee the Secretariat had produced a report focused more on summing up the present situation rather than on describing measures envisaged for the future. Subsequent reports would have to describe the measures which the Secretariat intended to take to increase the efficiency of the procurement function. Such measures would form part of the second phase, which would be addressed now that the bulk of the reforms were in place.

62. He would transmit to the Department of Peacekeeping Operations the comments of the Russian delegation about the report contained in document A/54/866. That report had been produced at the request of the General Assembly in the light of the problems found in one mission in particular. In that connection he was convinced of the importance of training both at Headquarters and in the field and of the usefulness of sound documentation on the question. He would work closely with the Department of Peacekeeping Operations on training matters.

63. In reply to the Turkish delegation he said that the Secretariat regarded transparency as very important, as could be seen from the posting on the Internet of information on all the contracts awarded. The question of the reading out of prices was linked to the reform of the procurement-related financial rules, a reform which was to go further than a mere updating and would be designed, among other things, to incorporate the best-value principle in the rules. In other words, price would no longer be the main factor. The United Nations Population Fund, the United Nations Development Fund and the United Nations Office for Project Services had already made a start on that journey. The Secretariat was counting on the Member States to indicate the path to be followed.

64. Where performance evaluation was concerned, it had been concluded that it was very difficult to define indicators which would give an objective measurement of the efficiency of the Procurement Division. The arrangement for monitoring requests for goods or services on the Intranet was the best evaluation tool, but the new system must be given time to prove itself. The Mexican delegation had raised the vitally important question of training, which was an area in which the Division would have to work closely with the Department of Peacekeeping Operations. Unfortunately, owing to its heavy workload the Division could allocate only relatively modest resources to training.

65. In reply to a question asked later by the representative of Philippines he said that vendor contracts provided for a payment period of 30 days, but it could happen that the United Nations did not pay its suppliers for 60 days.

66. **The Chairman** said that if there were no further comments, he would take it that the Committee had concluded its general discussion of item 116 and would continue its examination in informal consultations.

67. *It was so decided.*

The meeting rose at 12.50 p.m.